

***WORKERS COMPENSATION BOARD OF INDIANA***

**2010 SECOND INJURY FUND  
CALCULATION OF FUNDING LEVEL**

**December 29, 2010**

Please note the assessment can be paid in two installments.

The due dates are:

**Jan 31, 2011**

**June 15, 2011**



## STATE OF INDIANA

MITCHELL E. DANIELS, JR., Governor

Linda Peterson Hamilton, Chairman

WORKERS COMPENSATION BOARD

402 West Washington Street, Room W196

Indianapolis, Indiana 46204-2753

Telephone: (317) 232-3808

<http://www.in.gov/workcomp>

## SECOND INJURY FUND REPORT

By the Chair

## AND ASSESSMENT FOR 2011

December 29, 2010

Good news abounds! The number of injuries in the workplace is down, as is the assessment for 2011. Additionally, the Second Injury Fund will end 2010 in the black. Included with this report are the Certification forms used to calculate individual assessment obligations. These forms use numbers provided by the ICRB self-insured factors taken from new and renewal applications for 2009 along with historical data regarding Fund payouts.

The 2010 assessment brought in approximately \$417,000 less than the Board's analysis had predicted, due to the decrease in employment numbers between the date of the data supplied by employers and insurers (2008) and the payment dates in 2010. If not for the 3 month prudent reserve amounts for indemnity and prosthetics factored into the 2010 assessment, the Fund would not have been able to cover all of its obligations. It also helped that the cost of prosthetic replacements in 2010 was lower than in 2009. The Board's predicted cost for prosthetics in 2010 turned out to be higher than the actual annual cost. This freed up monies to be used by the Fund to pay indemnity payments, which obligation grew faster than had been anticipated.

The first of five installments of the Fund's loan repayment to the Board's Supplemental Fund occurred at the end of 2007. We have not withdrawn the 2008, 2009, or 2010 installments, or the administrative expenses for 2007, 2008,

2009, or 2010 due to a conflict created by the language of IC 22-3-3-13(g) which states that funds shall be used only for the “payment of awards of compensation ordered by the board...” The Board will be proposing a legislative amendment which will formally clear up the discrepancy. However, even without this change future loan installments and administrative expenses will be paid out of the SIF annually.

The loan will be extended 3 years into the future, instead of taking an amount greater than the annual repayment of \$192,400 in 2011. Thus, the loan should be repaid in full with the 2014 payment.

The past 4 years of administrative expenses, although included in each assessment, are deemed forgiven. The Board shall not seek to withdraw this sum of \$164,000 from the Fund in the future.

The administrative costs included in the 2011 assessment are the same as those used for the previous 4 years’ assessments; \$42,000. However, the Board has begun tracking the quarterly time commitment of each staff member who works on SIF issues, as well as the number of hours expended by the Attorney General’s office in defending the Fund before the Board and in the Court of Appeals and Supreme Court of Indiana. It is expected that the administrative expense factor of the assessment for 2012 will rise, as it will more accurately reflect the cost of administrating the Fund.

Payments will be due on January 31<sup>st</sup> and June 15<sup>th</sup> if you choose to use the installment option. No reminder will be sent before the due date.

Please call Mary Taivalkoski or me if you have questions or comments regarding the assessment, report, or the Fund.

Wishing you health and happiness this holiday season and peace in 2011.

Yours very truly,



Linda Peterson Hamilton

## 2nd INJURY FUND REPORT

December 29, 2010

Available Fund Balance 12/31/09	592,505.55
Revenue from 2010 Assessment	6,443,079.85
Total Available Monies 2010	7,035,585.40
Expenditures 2010:	
Indemnity	4,227,113.38
Prosthetics	561,247.20
SWCAP-Statewide Cost Allocation Plan*	<u>131,348.13</u>
<b>Total</b>	<b>4,788,360.58</b>
<b>Available Fund Balance 12/16/2010</b>	<b>2,115,876.19</b>

### 2011 Assessment Factors

Indemnity (3 months indemnity)	1,201,200.00
Prosthetics (3 month avg. expense)	<u>189,750.00</u>
<b>Total Prudent Reserve</b>	<b>1,390,950.00</b>
Estimated Expenditures	
Indemnity	4,804,800.00
Prosthetics	759,000.00
Loan	192,400.00
Administrative Fees	<u>42,000.00</u>
<b>Projected Total Fund Obligations</b>	<b>5,798,200.00</b>
<b>Total Prudent Reserve</b>	<b><u>+1,390,950.00</u></b>
<b>Unadjusted Assessment</b>	<b>7,189,150.00</b>
12/15/2010 Fund Balance	-2,115,876.00
<b>Final Assessment Amount</b>	<b><u>5,073,274.00</u></b>

#### **\* 7.4.2.1 State-Wide Cost Allocation Plan (SWCAP)**

*The State Budget Agency annually prepares the "State-Wide Cost Allocation Plan" which accumulates the state-wide costs, allocating them across all State agencies. The federal share of the state-wide indirect cost is to be paid to the State Budget Agency to reimburse the State's General Fund for costs incurred by the State in relation to the federal programs.*

## Reported and Historical Data Utilized in Assessment of Fund

### Reported by ICRB for 2009:

Total Losses Paid	424,767,000
Total Premiums Written	620,459,000

### Reported by ICRB for 2008:

Total Losses Paid	436,611,000
Total Premiums Written	710,109,000

### Reported by ICRB for 2007

Total Losses Paid	418,292,000
Total Premiums Written	796,025,000

### Self-Insured Factors 2009:

Total Indemnity Paid	17,300,704
Total Medical Paid	<u>41,700,782</u>
<b>Total Self Insured Factors</b>	<b>59,001,486</b>

### Self-Insured Factors 2008:

Total Indemnity Paid	17,686,744
Total Medical Paid	<u>48,563,961</u>
<b>Total Self-Insured Losses Paid</b>	<b>66,250,705</b>

### Self- Insured Factors 2007:

Total Indemnity Paid	18,136,827
Total Medical Paid	<u>43,407,436</u>
<b>Total Self-Insured Loss Paid</b>	<b>61,544,263</b>